Keynote Speech by Mr Clement Lau
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at Actuarial Society of Hong Kong (ASHK) and
the Institute and Faculty of Actuaries (IFoA) Joint Conference
on 16 July 2026

Chris[1], friends, ladies and gentlemen,

It is my great pleasure to speak at today's conference. I am particularly delighted to see this event jointly organised by the ASHK and IFoA, which reflects the global connectivity and high-calibre expertise that define our insurance ecosystem.

The theme of today's conference — "Actuarial Excellence 2026: Navigating Change" cannot be more timely. Standing before an audience of our region's sharpest analytical minds, I invite you to look beyond formulas and towards the grand horizon of our insurance landscape.

As an insurance regulator, we must maintain market stability and protect policyholders. On the other hand, we are also explicitly tasked to promote the sustainable development and global competitiveness of our insurance industry. In July 2024, we took a monumental step towards fulfilling these mandates by successfully transitioning to the Risk-based Capital ("RBC") regime. We moved away from the legacy volume-based approach to a robust Pillar 1 framework that quantifies asset and underwriting risks with the precision they deserve. We are highly encouraged by how the industry, guided by your actuarial excellence, has aligned with these standards.

[1] Mr Chris Hancorn, Chairperson of ASHK Life Committee / Co-Chairperson of IFoA Greater China Committee

But true regulatory excellence is not tested on day one. It is tested by how dynamically a framework responds to a shifting macroeconomic and geopolitical environment. If a regulatory framework is treated as a static monument, it quickly becomes an anchor that drags down the market it was meant to protect. To prevent this, we must refresh not only our rules, but also our regulatory philosophy.

What does it mean by refreshing a regulatory philosophy? Historically, financial supervision globally has leaned towards a defensive, risk-averse posture. Regulators were viewed primarily as strict gatekeepers, whose success was measured almost exclusively by what they prevented. While that defensive mindset remains an essential baseline for solvency, it is no longer sufficient in a complex, interconnected and fast-changing world. A robust regulatory framework must operate as a living, breathing ecosystem. There has been a clearer awareness among policymakers that regulatory philosophy must evolve from simple, passive risk elimination to proactive risk alignment and market enablement. We must transition from being only a static gatekeeper to also acting as a dynamic ecosystem enabler.

A sound and robust regulatory philosophy recognises that financial stability and business development are not opposing forces and they can be mutually reinforcing. Safety can be achieved when capital is efficiently allocated to assets that match the structural needs of society, under appropriate, calibrated safeguards.

This brings us to a broader vision: Hong Kong’s strategic positioning in the national dual circulation strategy. The insurance sector cannot exist in a vacuum. Insurance is the vital social stabiliser and economic shock absorber that underpins our real economy. Therefore, our regulatory philosophy should also give due regard to the wider development of Hong Kong.

To drive these aspirations forward, a key underlying engine is the mobilisation of “patient capital”. Insurance funds, by virtue of their long-duration liabilities, represent high-quality, long-term institutional capital in the economy. However, if a conventional framework applies blanket risk charges that treat multi-decade structural allocations the same as volatile short-term positions, that patience is inadvertently constrained. It creates unintended capital drag for the insurer and limits the real economy’s access to vital, long-term funding. Our philosophy is fundamentally about unlocking this patient capital by refining risk calibrations and actively incentivising strategic, long-horizon investments that support local development.

This philosophical evolution is not just an abstract vision. We have translated it into immediate technical reality through our recently completed review of the RBC Regime.

When we analysed the first full cycle of regulatory returns submitted by insurers under the RBC framework, we looked for friction points unnecessarily created by the initial rules. A primary proof of concept for unleashing patient capital is how we now approach the stress factors for infrastructure assets.

As actuaries, you live and breathe the challenge of asset-liability management ("ALM"). Good quality infrastructure assets, with their stable, highly predictable and multi-decade cash flows, represent a structurally ideal hedge against long-tail insurance liabilities. They are the natural home for patient capital. Yet, under the initial Pillar 1 framework launched in 2024, infrastructure exposures were subject to the exact same standard risk charges as general corporate debt or equity.

A refreshed philosophy demanded that we correct this alignment to actively reward the patient nature of insurance capital, with a clear focus premised on the broader vision that I mentioned earlier to strengthen Hong Kong's positioning in the national dual circulation strategy. Accordingly, following the RBC review, the Insurance Authority ("IA") has introduced preferential capital treatments for eligible infrastructure investments located in Hong Kong or the Chinese Mainland, and those listed or issued in Hong Kong. Furthermore, we have also introduced an additional incentive linked to an insurer's holding of infrastructure bonds issued by the Hong Kong SAR Government.

Technically, this relief is operationalised through a designated reduction factor applied directly to relevant risk charges under Pillar 1. For eligible infrastructure assets covering critical public services like energy, transportation and healthcare facilities, this will significantly lower the capital requirement, acknowledging the structural resilience and lower systemic volatility of these eligible long-term assets.

But we have not compromised our prudential safety margins. We have calibrated them to reflect the true economic substance of long-term asset matching, yielding optimal capital efficiency and maximising the return on patient capital. It also reflects an important understanding that the three pillars in the RBC framework should work in tandem, so as to achieve the best possible regulatory outcome that balances prudential and developmental considerations.

Our enhancement work did not stop at the asset side of the balance sheet. True market enablement requires us to look holistically at the underwriting environment. Therefore, alongside infrastructure incentives, the RBC review placed equal emphasis on promoting balanced growth across diverse lines of insurance business. To achieve this, we have implemented refinements to reduce risk capital required in respect of general business, and to provide dedicated relief to offshore general reinsurance business. By benchmarking global supervisory standards, the modified rules lower the capital burden associated with these risk structures, ensuring our regime remains highly capital-efficient and globally competitive.

On top of RBC review, there are in fact various other examples demonstrating how we are guided by a regulatory philosophy to perform capably as both a gatekeeper and an enabler. On developing our Insurance-Linked Securities ("ILS") market, we are moving beyond the initial phase of merely facilitating catastrophe bond issuances to expanding the alternative risks covered, invigorating ILS fund trading, etc. We are bolstering our capabilities in marine insurance cultivating a Marine Specialty Risks Pool and roping in diverse players to serve the international market. Amid rising geopolitical tensions, we are also aggressively expanding our captive insurance ecosystem by providing regulatory facilitation for state-owned enterprises and private enterprises in the Chinese Mainland and local multinational conglomerates to establish captives in

Hong Kong to centralise and manage their global operational risks efficiently. Concurrently, as accelerated AI adoption transforms our sector, the IA has established a carved-out strategy through our pioneering AI Cohort Programme. Together with core market participants and technology partners, we are driving collaboration across different disciplines to inject market dynamism, balancing responsible AI adoption with robust risk management.

Ladies and gentlemen, while I have been speaking from a regulator's angle, I must stress that the practical success of a regulatory regime also depends on your professional practice to critique, stress-test and operationalise these changes within your respective institutions. The theme "Actuarial Excellence 2026: Navigating Change" is a direct call to action. The professional integrity and analytical excellence of the actuarial profession would be instrumental in navigating the changes.

Thank you very much again for having me here today. Last but not the least, please allow me to extend my heartfelt congratulations on the success of the conference.